

COMMENTS OF EQUIPOWER RESOURCES CORP.
ON SENATE BILL NO. 1
AN ACT CONCERNING CONNECTICUT'S ENERGY FUTURE

EquiPower Resources Corp. (EquiPower), a Hartford based company, owns and operates 1,792 megawatts (MWs) of generating capacity in New England with 1,360 MWs of that total in Connecticut. EquiPower is the second largest generator of electricity in the state. We offer testimony today on SB 1 – An Act Concerning Connecticut's Energy Future.

EquiPower applauds the Committee's effort to continue to advance the State's energy policy and its attempt to balance environmental and energy policy and their potential impact on electricity prices. While we may not agree on many aspects of the bill we appreciate the complexity of the environmental and energy policy issues facing the State. We are committed to working with the Committee in a constructive manner to address these difficult issues.

EquiPower believes that the portion of this bill that combines the energy and environmental agencies of the state into the Department of Energy and Environmental Protection (DEEP) is a significant step forward. Energy and environmental policy are heavily intertwined and having both in a single agency hopefully will allow the right balance to be struck between policy and its effect on energy prices and environmental stewardship. In addition, EquiPower hopes the combining of the agencies will streamline the permitting process for new energy projects.

This bill attempts to address Connecticut's energy future in many ways. As such, EquiPower urges the DEEP to have full disclosure of its decision making, to be transparent in its cost-benefit analysis and the anticipated impact on electricity prices, and to conduct after the fact reviews of its decisions and disclose them to the public. It is important that the general public be informed of how various initiatives affect the prices paid for electricity. For example, decisions to invest in renewable generation sources will lead to increases in electricity prices as some of those resources are significantly more expensive than conventional electricity sources. As a further example, building transmission lines to bring output from a remote generation source is very likely to be more expensive than building a generation source in Connecticut near the load that is

to be served with all the requisite issues related to transmission lines. These public policy decisions, which will raise energy prices and make Connecticut more dependent on generation resources outside the State, must be communicated clearly to the general public on the front-end so that politicians can receive feedback from their constituents.

It is important that consumers weigh in on the cost-benefit of public policy decisions related to State energy policy through open disclosure and an opportunity for feedback to their political representatives. If enacted, the policy decisions should be reviewed after-the-fact to see if they achieved the stated goals and should not be lost in future discussions of Connecticut's very high electricity prices. Additionally, decisions to have the State or Electric Distribution Companies (EDCs) play a larger role in managing the supply portfolio for Standard Offer Service load place the risk of losses in managing the portfolio onto consumers instead of private companies who shield consumers from poor decisions. In this complex industry transparency is critical so electric consumers know why they are paying the electricity prices they are paying.

In addition to these above comments, EquiPower offers specific comments on the following sections of the bill:

Section 8

EquiPower does not agree with the change in the definition of Class I resources to include all hydro, including large scale hydro from outside the State and country. The addition of this additional supply will greatly reduce the price of Class I credits and cripple the development of in-state Class I projects. It will lead to the export of consumer dollars and jobs out of the State and likely out of the country, and place further reliance on generation resources outside the State of Connecticut. Also, a current requirement of hydro that qualifies as Class I is that it "does not cause an appreciable change in river flow." This requirement is eliminated in this bill.

EquiPower urges that for a hydro generator to receive Class I credit it should qualify for the Low Impact Hydropower Institute (LIHI) certification.

Section 48

EquiPower suggests that the review of the comprehensive energy plan developed by the Department include a representative from the competitive generation community in addition to the CEAB and the EDCs. Since in-state generation will be an important component of any State energy plan, having the generator community as part of the review is critical.

Section 49

EquiPower applauds the recommendation that the comprehensive energy plan for the State will look at all alternatives and will compare the “cost of transmission line projects, new power sources, renewable sources of electricity, conservation and distributed generation projects” to ensure the state pursues only the least cost alternatives. Incredibly, billion dollar transmission projects have been approved and undertaken without any meaningful review of whether more cost effective alternatives existed.

Section 61

EquiPower does not agree with the provision of this section which allows the EDCs to “construct, own and operate solar electric generating facilities.” As we have argued in several other bills, the EDCs do not have any expertise in this area and should not be given permission to build generation where customers will bear the risk of cost overruns. If solar electric generating facilities are to be built, the DEEP should conduct a competitive RFP in which the EDCs and competitive generators are allowed to bid as was done for peaking generation as a result of the 2007 legislation.

Section 66

Rather than searching for ways that the EDCs can have more latitude in managing the Standard Offer Service (SOS) portfolios, EquiPower recommends that the state should help and encourage its residents to take advantage of the many highly qualified and financially sound retail providers that currently serve more than one half a million residents and more than half the electrical load in the State. By switching to a retail supplier, the State’s energy consumers can reduce their bill immediately by 10-15% which would help them all in these difficult economic times. In addition, wholesale energy prices have fallen significantly in the last few years providing an

opportunity for EDCs to hedge energy prices further out in time and creating longer term price stability at lower prices for those that remain on SOS.

These approaches will provide immediate savings for all consumers relative to the SOS prices and push the risk of portfolio management onto private companies rather than on consumers. Connecticut should learn from New Hampshire where the losses due to the EDC's failed procurement strategy may be spread to all consumers - even those who were buying from independent retail suppliers.

Section 71

Section 71 requires the DEEP to initiate a Request for Proposal (RFP) to consider bilateral contracts for electricity from existing or new generators on a cost of service basis to lower electricity prices. EquiPower agrees completely that the DEEP should always use a competitive process to select the lowest cost alternative for all of the purchases it oversees. But, EquiPower cautions the Committee against jumping to the conclusion that cost of service is always the least expensive alternative. It is generally the case that the EDCs collect more dollars of profit at a regulated rate of return with their financing structure than competitive generators would using their normal financing structure. Also, it is not clear what load would be served with the contracts that this section contemplates. While the intent of this provision is not clear, any RFP for new generation or contracts should be very transparent concerning the need and cost to consumers. We also strongly urge the DEEP to perform a post appraisal on the previous new generation RFP processes to determine if in fact the cost savings and other stated objectives were achieved prior to embarking on another RFP process.

Section 72

EquiPower strongly recommends that the review of purchases over transmission projects that the EDCs may have a financial interest should be a full regulatory hearing and must include a comparison of alternatives, including generation projects that could be built in Connecticut which provide jobs and tax benefits that the transmission projects do not provide, and affords the State more control over the generation resources. EquiPower fully supports choosing the most cost-effective, environmentally sensitive, and reliable alternatives. This is a very significant

decision that will affect the prices that consumers pay for many years to come and should not be made without a fully transparent process.

Section 73

This section requires the DEEP to initiate a study of the ISO-NE and Market Rule 1. EquiPower reminds the Committee that the State of Maine conducted an exhaustive study of this same question just a few years ago and concluded that remaining in ISO-NE was in their consumers' best interest. If Maine, which unlike Connecticut has more economical generation than load and is interconnected with the Canadian Maritimes who have low cost coal, hydro and nuclear energy, found it to be more economical to be part of the ISO-NE, it is very unlikely that Connecticut would come to any different conclusion. If the State is set on having the DEEP perform this study we strongly advise that the process is deliberate and exhaustive with timeframe deemphasized, and any results be fully tested and disclosed through public hearings before any actions are taken.

EquiPower appreciates the opportunity to offer these comments on Senate Bill 1.

Submitted by,

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